

Working with Grantees to Ensure Oversight and Safeguarding of Federal Funds

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**SERVICE
YEAR**

Purpose

- Understand the Mission of the OIG
- Learn From Common Audit and Investigative Findings
- Walk-Through the Audit Process
- Preventing Fraud in Your Organization
- Know How to Contact the OIG

OIG Mission

- Improve efficiency and effectiveness of CNCS programs and operations
- Prevent and detect waste, fraud, and abuse by:
 1. Conducting audits and investigations;
 2. Recommending policies; and
 3. Keeping the CNCS CEO and Congress informed about deficiencies, recommendations, and corrective actions

OIG Independence

- By law, OIG is independent of CNCS
- We report directly to Congress and are funded by a separate appropriation
- OIG personnel must remain objective at all times in conducting our work and must be free of personal or organizational conflicts of interest with grantees and sub-grantees

AUDITS



But it's a good thing!

What is an OIG Audit?

- An OIG audit is a comprehensive review of an organization
- It measures the organization's compliance with the grant terms and conditions according to laws, regulations, and grant provisions
- OIG personnel also review financial management standards
- OIG does not comment on programmatic aspects of grants

OIG Audit Plan

- Publicly Available
- OIG Risk Assessment
- Legislation
- Materiality
- Single Audit Report Results
- New Program
- Extent of Prior CNCS OIG Audits
- OIG Hotline Tips

The Audit Process

- Notification
- Planning
- Entrance Conference
- Fieldwork/Testing
- Exit Conference
- Draft Report
- CNCS and Grantee Response
- Final Report
- Resolution of Findings, Recommendations, and Question Cost

The Audit Process

(continued)

- Audit Duration
- Sub-grantee Selection
- Audit Results and Expectations
- OIG In-house Auditors and External Contracted Auditors

Audit Planning

- **OIG Auditor**
 - Gather Auditee Information
 - Perform Risk Assessment
 - Create the Audit Program
- **Auditee**
 - Coordinate Entrance Conference with Subgrantees and Others
 - Timely Assemble Documentation Requested by the Auditor
 - Provide full access to documentation, staff, members/volunteers

Audit Preparation

Question:

What is the best way to prepare for an audit?

Answer:

- Provide OIG full access to your files, staff and members/volunteers
- Understand your grant's criteria and budget
- Maintain adequate accounting systems, policies, and procedures prior to the grant award
- Maintain all grant supporting documents
- Provide timely responses to audit requests (PBC items)

Final Report

- Grantee response to the draft report
- The OIG auditors incorporate the organization's responses and comments on those responses
- The final report is issued to CNCS, and posted to the OIG's website for the viewing public
- A copy is provided to the grantee

Audit Resolution

- CNCS and Grantee management agree or disagree on proposed corrective actions
- The OIG is given an opportunity to review the proposed corrective actions. However, final decisions are made by CNCS
- CNCS and Grantee management take action to improve operations or correct deficiencies identified in the final audit report
- Debts, if applicable, are established:
 - Collected
 - Payment Schedule

You feel like this after your organization addressed all audit recommendations and resolved all corrective actions...



Common Accountability Problems

Criminal History Checks

National Sex Offender Public Website and Criminal History Checks—conduct thoroughly, timely and document properly, for both staff and members/volunteers.

Common Accountability Problems

- Timesheets cannot be based on budgeted amounts - actual work only
- Suggestion - periodically, conduct your own timesheet review or audit
- System of internal controls should exist on timekeeping under Uniform Grant Guidance

Common Accountability Problems

- Organizations do not separate accounting records for each Federal grant
- Submit Federal Financial Reports (FFRs) on schedule
- Make sure that the FFRs reconcile to internal accounting records (general ledger)

Common Accountability Problems

- Record match dollars in general ledger, with same detail/documentation as for grant expenditures
- Document source of match contributions
- Substantiate market value of in-kind match contributions

Common Accountability Problems

- Ineligible member/volunteer or lack of supporting documents on member/volunteer eligibility
- Check income-eligibility for FGP and SCP and document
- Members issued partial education awards for Compelling Personal Circumstances (CPC) are not eligible or not properly supported
- Members/Volunteers Teleworking

Fixed Amount Grants

- Grantees receive a grant award for a specific amount (\$800) per MSY, with grant amount subject to adjustment per MSY based on:
 - Education Award Programs (EAP): member enrollment
 - Full-Time and Professional Corps Fixed Amount Grants: partially completed terms of service
- Significantly fewer documentation/reporting requirements under fixed amount grants
- Grantees should ensure accuracy of total member enrollment or member term of service
- Grantee should reconcile member enrollment and MSY data between MyAmeriCorps Portal and grantee's member records
 - Auditors will perform compliance/eligibility testing, including member service hours and that the hours are consistent with the grant terms
 - Auditors will not test for allowability of grant costs

Resources


- Your Program Officer and Grant Officer
- CNCS National Service Knowledge Network Website
<http://www.nationalservice.gov/resources>
- Learning Management System: Litmos

Resources


- AmeriCorps
- Capacity Building
- Criminal History Check
- Disability Inclusion
- Disaster Services
- Economic Opportunity
- Education
- Education Award
- Environmental Stewardship
- Financial Management
- Healthy Futures
- Marketing and Media
- Member & Volunteer Development
- Mentoring
- Online Courses
- Out-of-School Time
- Performance Measurement
- Recruitment
- Senior Corps
- Tutoring
- Uniform Guidance
- Veterans & Military Families

Knowledge Networks


Focus Area Resources




Disaster Services
This online network provides a place to share what works at the intersection of disaster services and national service.




Economic Opportunity
This network provides a place to share what works at the intersection of national service and economic opportunity services.




Education
This network provides a place to share what works at the intersection of education and national service.



Environmental Stewardship
This network provides a place to share what works at the intersection of national service and environmental stewardship.



Healthy Futures
This network provides a place to share what works at the intersection of national service and healthy futures.




Veterans and Military Families
A place to share what works when engaging or serving veterans and military families.

Find Resources

Keywords


Resource Type

Visit the Knowledge Network on Facebook

 Find us on **facebook.**

Feedback or to Report a Missing Page

Please email ServiceResources@cncs.gov



Grant Reform

2 CFR 200: Uniform Grant Guidance

- Indirect Rates
- Procurement
- Timekeeping
- Sub-grantee Monitoring

Resources

- US Chief Financial Officers Council (<https://cfo.gov//grants/>)
- eCFR (<http://www.ecfr.gov>)
- Grants 101 Training Modules (CFO Council online resources)
- FAQs updated as of July 2017 available on CFO Council web site

Indirect Rates

(Sections 200.412-415)

- New de minimis rate: Entities without indirect cost rate can get a de minimis indirect cost rate of 10% of modified total direct costs (direct salaries, fringes, materials and supplies, services, travel, sub-contracts and sub-awards up to \$25,000; does not include rentals, equipment, capital expenditures, tuition remission)
- One time extension of up to four years (for an existing NICRA)
- Pass through entities are required to provide indirect cost rate to sub-grantees

Procurement

(Sections 200.317-326)


- States must use their own policies and procedures; other non-Federal entities must have and follow written procurement procedures
- The non-Federal entity must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of the contract or purchase order
- **MUST** maintain written standards of conduct; avoid acquisition of unnecessary or duplicative items

Timekeeping/Personnel Services Compensation (Section 200.430)

Emphasis on internal controls over personnel-related costs.
Records on time and effort must:

- Be supported by a system of internal control that charges are accurate, allowable, and properly allocated
- Reasonably reflect total activity for which the employee is compensated
- Support the distribution of employee's salary/wages among specific activities/cost objectives
- Support for payroll costs cannot be based on budget estimates made before services are performed

Timekeeping (Bad) Example

XYZ Non-Profit Organization					
Employee Timesheet					
Name: <u>Anna Grande</u>			Location: <u>Chicago, IL</u>		
Activity	11/27/2017	11/28/2017	11/29/2017	11/30/2017	11/31/2017
Jobs Corps - DOL grant#: 123456	2	2	2	2	
	Whatever the budget hours stated: 3 hrs	Whatever the budget hours stated: 3 hrs	Whatever the budget hours stated: 3 hrs	Whatever the budget hours stated: 3 hrs	Whatever the budget hours stated: 3 hrs
AmeriCorps - CNCS grant #: 15ACHIL000					
Senior Corps - CNCS grant (FGP & RSVP)	13	3		3 2	3
Dinner with BigMac Miller!! Yeah!	_____	_____	3	_____	_____
Total	18	8	8	8 7	8
Staff Signature: <u>Anna Grande</u> 11/29/17					
Supervisor Signature: <u></u>					

Sub-grantee Monitoring

(Sections 200.330-332)

- Include Pass-Through entities audit responsibilities that were in Single Audit
- Include specific information in the sub-award, including the indirect cost rate
- Evaluate each sub-grantee's risk of noncompliance with Federal statutes/regulations, and terms and conditions
- Consider if specific sub-award conditions are needed
- Make any necessary adjustment to the pass-through entity's records based on reviews and audits of sub-grantee

Reminders!



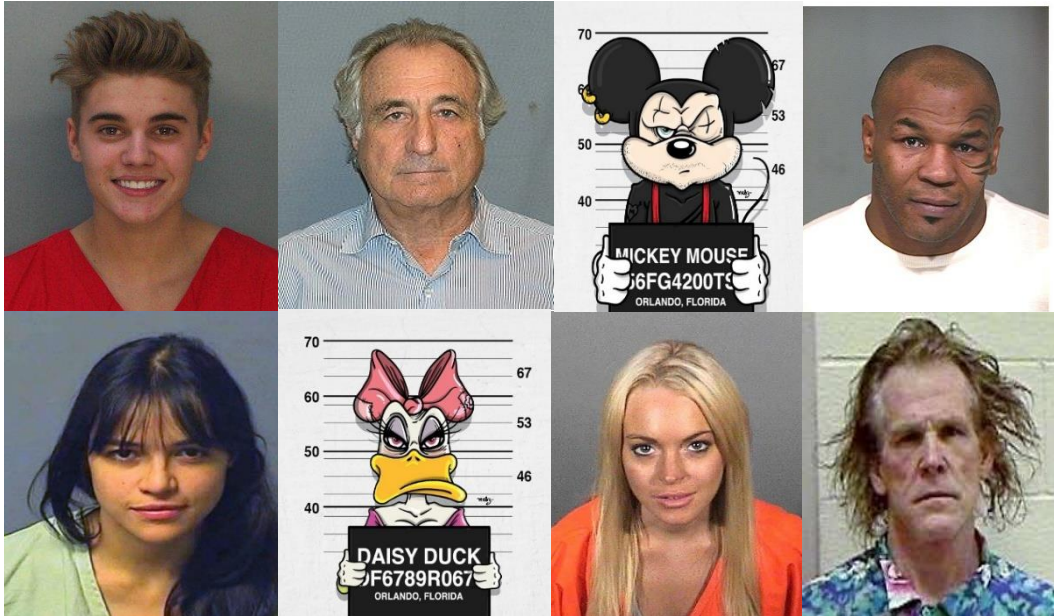
**KEEP
CALM
AND**

**MAY THE
COMPLIANCE
BE WITH YOU**

INVESTIGATION

A person in a dark suit and striped tie is shown from the chest up, slightly out of focus. Their right hand is raised, with the index finger pointing upwards. A bright blue light emanates from the tip of the finger, creating a lens flare effect that stretches horizontally across the middle of the image. The word "INVESTIGATION" is overlaid in large, white, bold, sans-serif capital letters across the center of the image, partially obscured by the light effect.

Who Committed Fraud?



Fraud

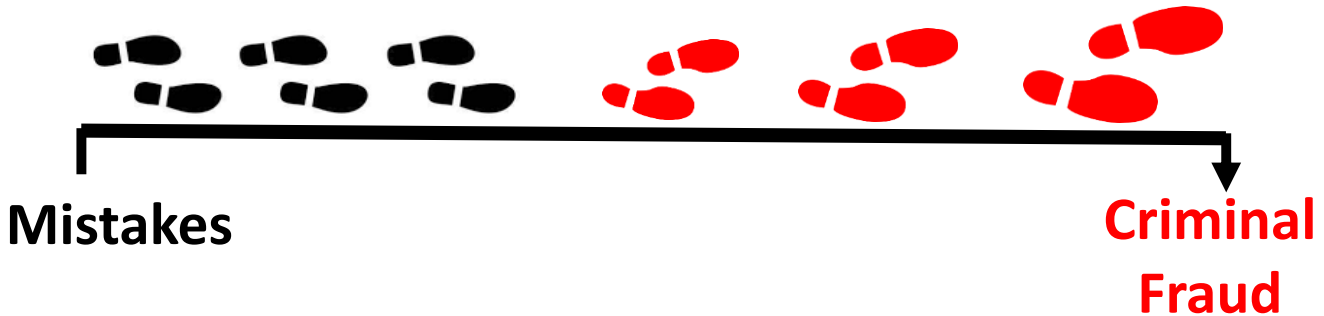
There are a number of definitions, but essentially it is...

- Deliberate deception to secure an unfair gain
- Deceit, trickery, sharp practice, or breach of confidence, perpetrated for profit or to gain some unfair or dishonest advantage. Does not have to result in monetary loss.

Layman's terms:

Lying, cheating, or stealing

Indicators of Fraud, Waste, and Misuse of grant funds can be due to a variety of causes and are rarely a simple “Black and White” issue.



Fraud Indicators

Fraud indicators are clues that may warrant further review of a specific area or activity. Some of the indicators of fraud include:

- One person in control
- No separation of duties (**common weakness**)
- Lack of internal controls = **virtually inevitable theft**
- No prior audits
- High turnover of personnel
- Inadequate or missing documents
- Altered records

Motivations for Fraud

- Dissatisfaction
 - Increases likelihood of fraud
 - i.e. perceived lack of appreciation may motivate an employee to commit fraud against his or her employer
- Opportunity
 - Inadequate internal controls
 - i.e. lack of or superficial checks and balances
- Rationalization
 - Fraudulent act is viewed as non-criminal
 - i.e. a sense of entitlement; “I work hard, therefore I deserve...” or that the funds are still being used for the organization, so it’s not like I’m stealing money for myself

Grant fraud is committed by

- Grant recipients
- Business partners
- Board members
- Program managers/employees
- Bookkeepers
- Financial staff
- Members and volunteers



**People that embezzle funds can be extremely creative
and appear very trustworthy**

Year in Review

Program Director
forged numerous
NSOPW checks

Sex Offender
allowed to serve

Program Director
instructed members to
falsify timesheet

Members performed
unallowable service

Members engaged in
prohibited activities

Members falsified
timesheets

Members/Volunteers
displaced staff

Program staff falsely
certified Education Awards
to members who did not
earn enough hours

Program staff altered
volunteer timesheets

Investigative Process

- Hotline or Direct Reporting
- Review Information – Personnel, Program, or Fraud
- Determine Who Handles – OIG, CNCS, or Grantee
- Coordinate with Complainant (If known)
- Conduct Preliminary Inquiry or Investigation
- Site Visit
- Coordinate with U.S. Attorney's Office, CNCS (Program/Grants), Commission, or Grantee
- Report of Investigation
- Resolution

Scenarios – what do you do?

- Example #1: You are aware that members/volunteers are going home early and claiming a full day of service on their timesheets.
- Example #2: Employee/member/volunteer added extra hours on their timesheet and their supervisor was aware.
- Example #3: Your supervisor directed you to add additional hours on your timesheet as a side bonus.

Notification of Site Visit

OIG investigators informed you they will be in your office next week to investigate an allegation regarding the management of a CNCS grant.

- What would you do?
- What should you do?
- What shouldn't you do?

Site Visit

- In Brief
- Review Member/Volunteer and Fiscal Documents
- Interview Staff (individually)
- Interview Members/Volunteers (individually)
- Visit Service Site
- Interview Recipient of Services
- Out Brief (at discretion of investigator)

Case Example #1

Misuse of Grant Funds

- Investigation revealed the following:
 - Multiple employees not involved with the AmeriCorps program were charged to the grant
 - Costs such as office supplies and items not related to the AmeriCorps program charged to the grant
- Resolution – disallowance of \$50,000

What type of weaknesses or lack of internal controls could have allowed this to happen?

Case Example #2

False Claims

- Program staff instructed volunteers to record five hours for in-service training on their timesheet; even though the training was less than three hours or did not occur at all
- Routine monitoring found members adding false hours on their timesheets
- Staff charged their time and effort to multiple grants but collectively exceeded 100% of their time
- Project Director directed staff to add hours to volunteers' timesheets (and created fictitious timesheets) to expend grant funds

Potential Timesheet Fraud Indicators

- Supervisor is not reviewing or verifying service hours
- Timesheets with excessive hours (15+ in one day or weekends) – what are the hours of their service site?
- Timesheets submitted weeks/months late
- Timesheets missing signatures
- Multiple revisions/white-out of hours
- Same number of hours everyday (is that typical?)

Case Example #3

Altered/Fraudulent NSOPW

- OIG discovered potential altered NSOPW checks
- Grantee typically spot checked files up to several months after members started, where they discovered multiple NSOPW checks were missing
- Employee initially claimed they did not change any documents, but no other employee handled CHCs
- Employee later admitted they altered multiple NSOPW checks to cover up the fact they were either late or never conducted

What processes and lack of internal controls allowed this to occur undetected? Describe their checks and balances

Criminal History Checks

Failure to conduct a proper NSOPW check

- Exposes a child or adult to a predator = new victim
- The community loses confidence in your program
- CHCs conducted late (usually NSOPW) = \$\$ owed
- CHCs not conducted at all (usually NSOPW) = \$\$ owed
- CHCs on time and filed but not actually reviewed

This is a safety issue that continues after CHCs completed

What good practices does your organization use?

Fraud Prevention

- Periodic review of member/volunteer files and timesheets
- Unannounced visits to service sites
- Talk to members/volunteers individually about their service/experience
- Add additional layer of review (CHCs, Timesheets, Expenses, Position Descriptions, CPCs)
- Create Transition Plan/SOPs for future program staff
- Thorough member/site supervisor training (handouts with policies and requirements)
- Telework policy
- Board oversight

Monitoring Visits/Oversight

- Thoroughly review documents, don't just check off that they are in the file (timesheets, CHCs)
- Meet with members/volunteers/site supervisors (individually) – compare service to position description
- Review budget - compare to staff positions and timesheets (ask how much time they spend on the program)
- Document all findings (include in monitoring report), keep record of issues and how/when they were resolve
- Require follow-up with deadlines to correct any findings (can corrections be done on site?)
- Document all issues or complaints about members/volunteers
 - Do you have a policy on handling member complaints?

Consequences of Deceit

- Lying to Investigators or Auditors is a crime - 18 USC § 1001 and 18 USC § 1516
- Knowingly providing fraudulent or altered documents is a crime
- False information in grant applications or reporting false data in performance reports is also a crime

Contact the OIG

Your identity can be kept



Why should you report fraud?

- **Because it's required as outlined in the grant terms and conditions**
- Ethical responsibility
- To deter others from committing fraud and abuse
- To protect the integrity of the Federal, State and Local programs
- To avoid being part of the fraudulent/criminal activities
- To protect the programs in your community from closing if fraudulent activity continues

Whistleblower Protection

Whistleblower protection now extends to employees of contractors, sub-contractors, grantees, and **sub-grantees** who disclose information related to:

- Gross mismanagement of a Federal contract or grant
- Waste of Federal funds
- Abuse of authority relating to a Federal contract or grant
- Substantial and specific danger to public health and safety
- Violations of any law, rule, or regulation related to a Federal contract or grant

Where can I find results of OIG Audits and Investigations?

www.cncsoig.gov

www.oversight.gov

Hotline

- Report suspected fraud, waste, or abuse
- Information is confidential
- You may remain anonymous

1-800-452-8210

or

hotline@cncsoig.gov



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That's all Folks!

Any Questions?